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SUBJECT: EMBASSY MINSK WEEKLY POL/ECON REPORT - MAY 25, 2007

¶1. The following are brief items of interest compiled by Embassy Minsk.

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CIVIL SOCIETY

¶2. GOB Fines Third Organizer of Chernobyl March

On May 23, a Minsk court fined Belarusian Social Democratic Party "Gramada" Deputy Chair Anatoliy Sidorevich USD 353 for organizing the opposition's April 26 Chernobyl anniversary demonstration during which participants allegedly left the sidewalk and obstructed traffic. On May 21, authorities previously fined opposition Belarusian Popular Front Deputy Chair Aleksey Yanukevich USD 434 and United Civic Party member Valentina Palevikova USD 352 for the same offense. The demonstration organizers maintain that some participants left the sidewalk only briefly to avoid a road construction site.

¶3. Opposition Campaign to Commemorate Vitebsk Purges

On May 23, independent media reported that opposition Belarusian Popular Front (BPF) chapter in the northern city of Vitebsk has petitioned local authorities to erect a plaque in a forest where many people are believed to have been executed by the NKVD during Stalinist purges of 1937 to 1941. Vitebsk BPF leader Konstantin Smolikov called on Vitebsk District Executive Committee Chairman Ivan Vazmitsel to order local schools to add the executions to their history courses and offered to help the district authorities with collecting historical materials for a pamphlet on the massacres. According to Smolikov, opposition activists plan to clean up and landscape the area.

INTERNATIONAL RELATIONS

14. Lower House Approves Cooperation Accord with Kyrgyzstan

On May 23, the Belarusian parliament's lower house approved the ratification of a Belarusian-Kyrgyz agreement on friendship and cooperation signed in November 2006. While speaking for ratification at the lower chamber's session, GOB Deputy Foreign Minister Vasil Pugachyov highlighted Kyrgyzstan's vote against last year's UN resolution that criticized the human rights situation in Belarus. The accord declares that the countries will build their relations on the principles of sovereign equality, respect for human rights, non-interference in the other country's internal affairs, territorial integrity, the peaceful settlement of disputes, mutually beneficial cooperation and abidance by universally recognized norms of international law. Under the agreement, the countries are to develop equal and mutually beneficial cooperation in areas of economics, science, education, culture and healthcare.

15. International Weapons Show Opens in Minsk

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On May 22, MILEX 2007, a biennial armament and military equipment exhibition, opened in the BelExpo center in Minsk. Representatives from more than 130 Belarusian, Russian, Ukrainian, and Swedish companies participated in the show. Moreover, military delegations representing Angola, Armenia, Azerbaijan, China, Kazakhstan, Oman, Russia, Sudan, Syria, Tajikistan, Turkmenistan, Ukraine, the United Arab Emirates, Uzbekistan, Venezuela, and other countries observed MILEX 2007. While opening the exhibition, Belarusian Security Council State Secretary Viktor Sheyman said that delegations' presence underscores that "every state views the task of ensuring national security, defense capability and fight against terrorism as a priority." During the exhibit, GOB Defense Minister Leonid Maltsev held talks on military cooperation with Tajik and Ukrainian defense ministers Sherali Khayrulloev and Volodymyr Boyko, respectively.

INTERNATIONAL TRADE AND INVESTMENT

16. ABN Amro to Loan USD 1 Billion to GOB Oil Refineries

Deputy Chairman of Belarus' oil and chemical industry agency Belneftekhim Mikhail Osipenko announced on May 18 that Dutch ABN Amro bank would issue a USD 1 billion loan to the country's two oil refineries against the guarantee of the GOB. The loan's interest rate will be lower than those offered by Belarusian banks. Speaking at the conference on Belarus oil industry on May 13, a representative of Belarus' largest private bank Priorbank noted that the country's banking system cannot afford financing oil refineries, as domestic banks have approached their limits in issuing loans.

17. Gazprom Buys Half of Beltransgaz, JV Agreement Postponed

On May 18, Russia's Gazprom and Belarus State Property Committee signed a USD 2.5 billion contract on selling 50 percent of shares of Belarus' natural gas transportation company Beltransgaz to Gazprom. The shares will be acquired in four equal installments in 2007-2010. During this time Beltransgaz may not dispose or otherwise encumber the shares it owes to Gazprom. Under the contract, prices charged to Belarusian wholesale consumers will grow gradually, Belarusian

government will not impose golden share, the volume of gas supplied to Belarus will not be lower than now and all disputes will be resolved under Belarusian law. The joint venture (JV) agreement will be signed in early June.

18. Belarus Has Trade Relations With 149 Countries

On May 23, the Belarusian Economics Ministry reported that Belarus maintained trade relations with 149 countries, exported goods to 110 countries, and imported goods from 136 countries during the first three months of the year. Belarus' main trading partners were Russia, which accounted for 48.1 percent of Belarus' total foreign trade, the Netherlands with seven percent, Germany with 6.1 percent, Ukraine with 5.9 percent, Poland with four percent, the United Kingdom with 2.8 percent, China and Latvia with 2.4 percent each, the United States with 2.3 percent, and Italy with 1.7 percent. Belarus' foreign trade in goods in Q1 totaled USD 11.2 billion, with exports amounting to USD 5.4 billion and imports totaling USD 5.9 billion. In terms of value, Belarus' exports reportedly exceeded those in the same period in 2006 by 6.3 percent, or USD 2.8 billion, and imports increased by 21.1 percent, or almost USD 1 billion.

DOMESTIC ECONOMY

19. GOB to Build Underground Gas Storage by Mid-2008

Belarus' Energy Minister Aleksandr Ozerets advised on May 23 that in early 2008 the Beltransgaz will complete construction of the country's third and largest underground gas storage (UGS) facility. While two existing UGS have capacities of 300 and 360 million cubic meters of gas, the third UGS (construction started in 2006) will store more than 1 billion cubic meters, as it will utilize former rock salt mines near the city of Mozyr in Gomel region. Belarus' winter daily consumption of natural gas is 60 million cubic meters. Beltransgaz experts believe the country needs an underground storage capacity of up to 6 billion to ensure stability of its energy supplies.

10. Lower Fares Lose GOB Railroad USD 16 Million

On May 22, Belarusian National Rail Network First Deputy Chief Vladimir Laptinskiy reported that losses sustained by Belarusian Railroads last year because of transporting passengers eligible for reduced fares amounted to USD 15.8 million. In 2006, Belarusian Railroads transported 99.4 million passengers, with as many as 19.6 million of them, or about 20 percent, traveling at a discount. According to Laptinskiy, Belarus' Finance Ministry compensated the rail operator for only USD 2.3 million, or 15 percent of the losses. He added that in the first three months of 2007, Belarusian railroads transported 4.1 million reduced-fare passengers, or 20

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percent of the total number, and was compensated only USD 653,000, or 14.1 percent of the losses. On May 23, the lower house of the Belarusian parliament passed a government-sponsored bill that would abolish many social benefits, including reduced fare privileges.

SOCIETY

11. Almost 11,000 Foreigners Legally Reside in Minsk

On May 22, Minsk City Police Citizenship and Migration Office Chief Nikolay Shevchyk reported that more than 10,700 foreign citizens legally reside in Minsk at present, up from approximately 9,500 in early May 2006. Of these resident foreigners in Minsk, 3,650 are university students, mostly Russians and Chinese. Shevchyk also noted that more than 27,500 foreigners are currently legally staying in the Belarusian capital, including 13,670 Russians and 2,680 Ukrainians. According to the authorities, 188 foreigners had been granted work permits in Minsk from January through April. For example, Tajik workers are involved in the construction of a large multi-sport arena on the northwestern edge of the city, and Turkish workers are building a five-star hotel in downtown Minsk. During the first four months of this year, 1,403 foreign nationals were

charged with violating regulations governing their stay in Minsk. Meanwhile, authorities deported more than 100 persons from Belarus.

¶12. One Quarter of Belarusian Couples Are Infertile

On May 22, Belarusian House of Representatives Committee on Health, Physical Culture, Family and Youth Affairs Committee Chair Vladimir Isaev revealed that approximately 25 percent of married couples in Belarus suffer from sterility. Isaev called on the national legislature to push for easier access to state funded in vitro fertilization (IVF) treatment. He noted that IVF treatment is very expensive, with one cycle priced at about USD 3,000 in private clinics and nearly USD 2,000 in state health institutions, not including the cost of necessary drugs. He predicted that a wider access to the treatment would help curtail child abandonment because "babies born from IVF treatment are desirable and will never be abandoned."

QUOTE OF THE WEEK

¶13. During President Lukashenko's May 20 televised discussion with Minsk administration officials and architects, a city official referred to proposals for constructing a diplomatic complex at Minsk-1 airport on the following grounds:

"We are sick and tired of providing buildings for diplomatic missions."

STEWART